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RUCPDO/DEPT OF COMMERCE WASHDC PRIORITY
RUEAIIA/CIA WASHDC PRIORITY
RUEHC/AIT WASHINGTON DC PRIORITY 0275
RHEFDIA/DIA WASHINGTON DC PRIORITY
RUEATRS/DEPT OF TREASURY WASHDC PRIORITY
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C O N F I D E N T I A L SECTION 01 OF 03 TAIPEI 000670

SIPDIS

STATE FOR EAP/TC
STATE PASS USTR FOR STRATFORD AND ALTBACH, TREASURY FOR
OASIA/WINSHIP AND PISA, NSC FOR LOI, COMMERCE FOR
4431/ITA/MAC/AP/OPB/TAIWAN

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TAGS: [ECON](#) [PREL](#) [TW](#) [EINV](#) [ETRD](#) [PGOV](#)

SUBJECT: STRAITS EXCHANGE FOUNDATION (SEF) CHAIRMAN P. K.
CHIANG ON FUTURE CROSS-STRAIT TALKS

Classified By: AIT Director Stephen M. Young
Reason 1.4 (b/d)

11. (C) Summary. Straits Exchange Foundation (SEF) Chairman
1P. K. Chiang confirmed he will be in China between June
16-21, with plans to meet Association for Relations Across
the Taiwan Straits (ARATS) Chairman Chen Yunlin to initiate
preliminary talks on the timing and agenda for the next round
of cross-strait talks. He noted that an Economic Cooperation
Framework Agreement (ECFA) most likely will not be on the
agenda for the next round of SEF-ARATS talks. Noting the
controversy surrounding ECFA, Chiang stressed the need for
the Ma Administration to do a better job of communicating
with the DPP and the Legislative Yuan on cross-strait
relations which would lessen concern and opposition to the
new policies. The Chairman also highlighted the successes of
the Ma Administration's cross-strait policies but noted
additional negotiations were still needed to fulfill the
recent agreement on financial integration. Chiang also
admitted that criticisms of his family had taken a toll and
said that on a personal level he was ready to leave the SEF
chairmanship. However, there is still important work to do,
so out of a sense of duty, he plans to remain at SEF for now.
End Summary.

GOING TO CHINA

12. (C) In a cordial one-hour meeting with the Director on
June 5, Straits Exchange Foundation (SEF) Chairman P. K.
Chiang confirmed he will lead a small group to China from
June 16-21, stopping in Chengdu, Chongqing and Shenzhen. The
main purpose of this visit is to examine Taiwan-funded post
earthquake relief and reconstruction efforts in Sichuan, said
Chiang. While not differentiating between government and
private efforts, Chiang noted that a lot of money had been
sent by Taiwan for earthquake relief and reconstruction and
it was now time to take a look at the results. The SEF
Chairman also confirmed that he and ARATS Chairman Chen
Yunlin will open an ARATS sponsored golf tournament in
Shenzhen and will take the opportunity to initiate

preliminary talk on the timing and agenda for the next round of cross-Strait talks (currently set to take place in Taiwan). Chiang emphasized that he has no plans to go into detailed discussions with Chen on any subject during this meeting.

ECFA NOT YET READY

¶3. (C) Regarding an Economic Cooperation Framework Agreement (ECFA) with the PRC, Chiang said the Ma administration is still considering what such an agreement should entail. In addition, the timing of negotiating an ECFA with the PRC has to be decided. According to Chiang, it is unlikely that ECFA will be included on the agenda for the next round of SEF-ARATS talks, which will likely take place before local elections in December. Chiang noted that if Taiwan and China conclude even a very general framework agreement on trade liberalization, it would signal to other Asian trading partners that Beijing would not block Taiwan's efforts to negotiate free trade agreements, particularly with the ASEAN economies. (Note: Other contacts in the Administration have echoed this assertion that ECFA could clear the way for Taiwan to conclude TFAs with some of its trading partners. End Note) Chiang said Taiwan and Singapore have had preliminary talks about a free trade agreement, although he did not offer any specific details.

BETTER COMMUNICATIONS NEEDED FROM MA ADMINISTRATION

¶4. (C) Chiang agreed with the Director that cross party

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dialogue is at its worst since 2000. He indicated that the Ma Administration needed to make more of an effort to make the DPP and LY members feel a part of the process and a stakeholder in the success of current cross-Strait efforts. Developing dialogue and mutual respect is the only way to ensure smooth acceptance of these new agreements and policies, stated Chiang

FINANCIAL SECTOR INTEGRATION

¶5. (C) Regarding the recent SEF-ARATS agreement on financial sector integration, Chiang commented on the pending memoranda of understanding (MOU) on banking, insurance and financial services. According to Chiang, the MOU on banking would be most difficult to complete because of the difference between Taiwan and PRC market access obligations under the WTO. Taiwan's market is much more open. In addition, the difference in size between PRC and Taiwan banks is a concern for Taiwan's regulatory authorities and policy-makers, Chiang said. He opined that access to the banking sector could possibly be resolved under the rubric of an ECFA, but did not elaborate.

BUYING MISSIONS MUTUALLY BENEFICIAL

¶6. (C) Chiang said that recent and upcoming PRC buying missions (caigoutuan) were welcomed by Taiwan's business community. (Note: A group from Guangxi came to Taiwan May 22-27, and reportedly placed US\$ 280 million in orders for metal, textiles, plastics, leather and electrical machinery. A group organized by the PRC's Cross-Strait Economic and Trade Association arrived in Taiwan in late May, and Taiwan's trade promotion office estimates the visit will generate US\$ 1.9 billion in sales. The PRC has announced two agricultural trade missions will visit the island in June and July. End Note) Chiang acknowledged the sales resulting from these missions will benefit Taiwan economically, but opined the visits also serve Beijing's political goals. Namely, the missions send a message that the PRC is interested in assisting the island's people and that the warming of cross-Strait ties brings tangible benefits. Chiang noted, though, that the boost from these buying missions may be limited, explaining that tourism and investment capital from the Mainland will benefit Taiwan's economy more, especially

in the long-term.

DIRECT PRC INVESTMENT IN TAIWAN

17. (C) Regarding possible PRC investment in Taiwan, Chiang believes that capital will mostly flow into Taiwan's stock exchange, at least in the short-term. He said he does not believe this will produce a speculative bubble nor destabilize the market. He noted that high savings rates in the PRC have generated excess capital that is currently idle.

Chiang opined that investment in Taiwan could produce a high rate of return for PRC investors, given what he described as the high caliber of management and quality of products of Taiwan companies.

DUTY TRUMPS FAMILY FOR NOW

18. (C) In responding to the Director's query on his plans to remain at SEF, Chiang lamented that his family had sacrificed a lot because of his position. He noted that personally he was ready to leave the SEF now, but because of the pending fourth round of SEF-ARATS talks and the significant amount of work still left to do in cross-Straits relations, he was set to remain in his position until his service is no longer needed.

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19. (C) In closing, Chiang said the nine agreements signed so far by SEF and ARATS basically lay the foundation for greater business collaboration across the Strait. He noted that the Japanese Chamber of Commerce in Taiwan recently called for more focus on the Japan-Taiwan economic relationship. The Director noted that coordination between the U.S., the EU, and Japan on economic policies toward Taiwan could help stimulate greater investment in the island.
YOUNG